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INTERNATIONAL ACTION TO COMBAT DRUG ABUSE AND ILLICIT TRAFFICKING

Letter dated 14 December 1990 from the Permanent Representative of Bolivia to the United Nations addressed to the Secretary-General

I have the honour to refer to resolution 44/142 on international action to combat drug abuse and illicit trafficking, adopted by the General Assembly on 15 December 1989, and in particular to paragraph 9, which requests you, inter alia, to undertake, with the assistance of a group of intergovernmental experts, a study on the economic and social consequences of illicit traffic in drugs.

May I take this opportunity to thank you for having convened a group of experts, which met at Vienna on two occasions in 1989 and which submitted its report to you. Accordingly, since the report of the Group is important and should be available to Member States, I request you to circulate it as a document of the General Assembly at its forty-fifth regular session under agenda item 108, as well as for consideration by the Commission on Narcotic Drugs at its thirty-fourth regular session in 1991.

(Signed) Hugo NAVAJAS MOGRO
Ambassador
Permanent Representative

best copy available

ANNEX*

Report on the meeting of the Intergovernmental Expert Group to Study the Economic and Social Consequences of Illicit Traffic in Drugs, held at Vienna from 21 to 25 May and from 9 to 20 July 1990

CONTENTS

	Paragraphs	Page
INTRODUCTION	1-7	4
RECOMMENDATIONS	8-9	5
Chapter		
I. DISCUSSION	10-30	12
A. The scope of the mandate	10-13	12
B. Overview of the methodology for the study	14-30	13
II. MECHANISMS WHICH WOULD PREVENT THE USE OF THE BANKING SYSTEM AND THE INTERNATIONAL FINANCIAL SYSTEM FOR DRUG-RELATED MONEY TRANSFERS AND CONVERSION (SUBPARAGRAPH 9(b))	31-56	19
A. Measures for the consideration of States	35-43	19
B. Measures for the consideration of financial institutions	44-52	22
C. Measures for the consideration of the Secretary-General	53-56	24

* Circulated in the language of submission only.

		Paragraphs	Page
III.	THE MAGNITUDE AND CHARACTERISTICS OF ECONOMIC TRANSACTIONS RELATED TO DRUG TRAFFICKING IN ALL ITS STAGES, INCLUDING PRODUCTION OF, TRAFFIC IN AND DISTRIBUTION OF ILLICIT DRUGS, IN ORDER TO DETERMINE THE IMPACT OF DRUG-RELATED MONEY TRANSFERS AND CONVERSION ON NATIONAL ECONOMIC SYSTEMS (SUBPARAGRAPH 9(a))	57-74	26

Annexes

I.	List of participants	30
II.	Framework for a future in-depth study on the economic and social consequences of illicit traffic in drugs, proposed by the Expert Group	32

READEX FICHE

INTRODUCTION

1. In its resolution 44/142, paragraph 9, of 15 December 1989, the General Assembly requested the Secretary-General:

> "To undertake as soon as possible, with the assistance of a group of intergovernmental experts, a study on the economic and social consequences of illicit traffic in drugs, with a view to analysing, inter alia, the following elements:
>
> "(a) The magnitude and characteristics of economic transactions related to drug trafficking in all its stages, including production of, traffic in and distribution of illicit drugs, in order to determine the impact of drug-related money transfers and conversion on national economic systems;
>
> "(b) Mechanisms which would prevent the use of the banking system and the international financial system in this activity."

2. Pursuant to General Assembly resolution 44/142, paragraph 10, the Secretary-General, by his note verbale dated 27 February 1990 (NAR/CL.1/1990), asked Member States for their views on the scope and context of such a study, taking into account the elements set forth in paragraph 9. Those views were transmitted to the Intergovernmental Expert Group to Study the Economic and Social Consequences of Illicit Traffic in Drugs (DND/EGM/ECON/2 and Add.1 and 2).

3. Pursuant to General Assembly resolution 44/142, paragraph 9, the Secretary-General convened the meeting of the Intergovernmental Expert Group to Study the Economic and Social Consequences of Illicit Traffic in Drugs at Vienna. The Expert Group met for two sessions: from 21 to 25 May and from 9 to 20 July 1990.

4. The Expert Group had before it several background documents related to the subject of the study. Country reports were received for Bolivia, Colombia and the United States of America. Analytical contributions were provided by experts from Egypt, France, India, the Netherlands, Senegal, Spain, Switzerland and the United Kingdom of Great Britain and Northern Ireland.

5. In opening the meeting, the Director of the Division of Narcotic Drugs of the Secretariat thanked the experts for their participation. He recalled the pioneering work of the United Nations, particularly the Commission of Narcotic Drugs and its secretariat, the Division of Narcotic Drugs, which had organized, starting in 1980, expert group meetings to consider measures to deprive drug traffickers of their illicit gains. The innovative measures adopted by those meetings were contained in the report on the Meeting on Financial Assets and Transactions Related to Illicit Drug Trafficking, held at Vienna from 6 to 10 October 1980 (E/CN.7/657/Add.2); the report of the Expert Group on the Forfeiture of the Proceeds of Drug Crimes, held at Vienna from 24 to 28 October 1983 (DND/WP.1983/23/Rev.1); and the report on the Second Expert

Group Meeting on the Forfeiture of the Proceeds of Drug Crimes, held at Vienna from 29 October to 2 November 1984 (MNAR/1984/13). The recommendations contained in those reports paved the way for the adoption in 1988 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (E/CONF.82/15 and Corr.2), article 5, concerning the tracing, freezing and confiscation of proceeds and property derived from illicit traffic. Referring to the effective implementation of measures to combat illicit drug traffic and the recommendations that the Expert Group might wish to adopt for the consideration of the Secretary-General, the Director drew attention to the large discrepancy between the vast resources derived from illicit traffic and available to traffickers and the meagre resources available to combat illicit drug traffic and drug abuse at the national and international levels.

6. The meeting was attended by 20 experts and one consultant, who had been selected on the basis of their areas of expertise and in order to achieve an equitable geographical representation (see annex I).

7. The Expert Group unanimously elected Mark Pieth (Switzerland) as Chairman and Miguel Ruíz Cabañas Izquierdo (Mexico) as Vice-Chairman.

RECOMMENDATIONS

8. The Intergovernmental Expert Group to Study the Economic and Social Consequences of Illicit Traffic in Drugs adopted the recommendations below following its consideration of General Assembly resolution 44/142, subparagraph 9(a).

1. The Expert Group notes that an additional reporting system, in accordance with the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, articles 20, 21, 22 and 23, 1/ would provide essential data on the trafficking of illicit drugs and, in particular, on money laundering operations. It also notes that the General Assembly, in its resolution 44/141 of 15 December 1989 and in the Global Programme of Action contained in General Assembly resolution S-17/2, annex, of 23 February 1990, has recognized that, in order to enhance international co-operation in drug control, it is necessary to provide the United Nations with a unified and integrated system of information covering all aspects of the drug problem, namely, illicit cultivation, production, processing, manufacturing, trafficking, distribution and consumption of narcotic drugs and psychotropic substances, as well as money-laundering operations.

   The Expert Group, therefore, recommends that:

   (a) The Secretary-General should develop an annual estimate of the illicit drug situation on a world-wide basis that should include statistical data and other information on the extent of

cultivation and the volume of production of illicit narcotic drugs and psychotropic substances covered by international drug control treaties, as well as on production prices, value added at different stages of trafficking and distribution, cash flow, money laundering, confiscation and drug-related organized criminal activities and the extent of and trends in drug abuse, in order to assist the United Nations in determining the social and economic impact of illicit drug trafficking and drug abuse in the various regions of the world;

(b) The Secretary-General should be asked to develop ways and means of collecting data and to develop the appropriate methodology to be used in processing the data as required on a world-wide basis, with the assistance of groups of experts from different regions, in the relevant fields, in order to overcome the current difficulties in obtaining reliable information on the subject;

(c) The preparation of the annual estimate should take into account the relevant norms contained in international drug control treaties on the reporting and collating of information;

(d) A unit should be established with the capability of organizing the gathering of data, processing the data and preparing the annual estimate;

(e) The resources required for the above-mentioned activities should be obtained, inter alia, by the rationalization of existing United Nations activities in this field, as well as from the regular budget;

(f) The Secretary-General, through the Division of Narcotic Drugs of the Secretariat and the United Nations Fund for Drug Abuse Control, should, in consultation and co-operation with other international bodies and Member States, conduct regular analytical studies on the social and economic effects of the production of, trafficking in and consumption of illicit drugs, in order to obtain better information for policy-making and the formulation of work programmes at various levels;

(g) The following relevant issues should be among those included in the above-mentioned studies:

(i) The tracing of financial flows and money laundering related to illicit drug trafficking by organized crime;

(ii) The consequences of illicit drug production and trafficking for macrolevel management of the affected economies;

(iii) The estimation, by country, of the number of households engaged in illicit crop production and of the share of household income generated by illicit crop production;

(iv) The impact and effectiveness of the control of substances listed in Tables I and II of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances that are used in the manufacture of illicit drugs, as referred to in article 12 of that Convention; 1/

(h) States with illicit crop production and illicit trafficking should exchange experiences of various policies designed to deal with those problems;

(i) The United Nations should contribute to this exchange of experiences by providing funds for policy research studies and the exchange of experts.

1/ E/CONF.82/15 and Corr.2.

2. The Expert Group, considering the view that economic policies and programmes employed to date in the fight against illicit crop production have been largely ineffective, recommends that the Secretary-General should commission a study to determine:

(a) The possibilities, effectiveness and limitations of such policies;

(b) The extent to which crop-substitution programmes could be improved:

(i) By increasing investments in the agro-industrial sectors of countries producing illicit drugs;

(ii) By providing for increased access to the markets of developed countries by renegotiating trade preferences within the United Nations Conference on Trade and Development and the General Agreement on Tariffs and Trade;

(iii) By increasing co-operation with the specialized agencies of the United Nations to implement the agreements outlined in the Declaration of

Cartagena 1/ that are supported by various international forums in their discussions of integrated strategies to combat illicit drug trafficking.

1/ A/S-17/8, annex.

3. The Expert Group recommends that the Secretary-General should undertake an analytical study to establish and quantify the link between illicit drug trafficking and external debt and the economic implications arising therefrom.

4. The Expert Group recommends that the Secretary-General should be called upon to convene an expert group meeting to undertake a detailed study on the social consequences of drug abuse and illicit traffic in order to propose remedial action concerning: (a) the economic and social problems resulting therefrom; and (b) the involvement of persons and groups in the illicit production of, traffic in and consumption of narcotic drugs and psychotropic substances.

9. The Expert Group adopted the recommendations below following its consideration of General Assembly resolution 44/142, subparagraph 9(b).

5. The Expert Group, noting that the provisions of articles 3 and 5 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1/ concerning measures regarding money laundering and the confiscation of assets, constitute the basis for effective international efforts in that direction and that all States should implement such measures in order to counter money laundering, recommends that States that have not yet done so should ratify or accede to that Convention in order to ensure its early entry into force and universal application.

1/ E/CONF.82/15 and Corr.2.

6. The Expert Group recommends that States that have not yet ratified or acceded to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1/ adopted in 1988, should take such measures as may be necessary

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1/ E/CONF.82/15 and Corr.2.

to ensure the provisional application of its provisions, in particular:

(a) Measures to establish as criminal offences drug-related money transfers and conversion, consistent with article 3, subparagraph 1(b), of the 1988 Convention;

(b) Measures to enable the identification, tracing, freezing and seizure of proceeds, property or instrumentalities derived from, used in or intended for use in illicit drug trafficking for the purpose of eventual confiscation, as set forth in article 5 of the 1988 Convention;

(c) Measures to ensure that bank and corporate secrecy laws, established professional practices and privilege laws do not inhibit criminal investigations into money laundering.

7. The Expert Group recommends that States should increase their efforts to implement the provisions of the Global Programme of Action, paragraphs 62-73, contained in the annex to General Assembly resolution S-17/2 of 23 February 1990, concerning measures to be taken against the effects of money derived from, used in or intended for use in illicit drug trafficking, illegal financial flows and illegal use of the banking system.

8. The Expert Group recommends that States should examine the recommendations contained in the report of the Financial Action Task Force on Money Laundering of 7 February 1990 and, where appropriate, to implement those recommendations to the widest extent possible.

9. The Expert Group recommends that States should inform the Division of Narcotic Drugs of the Secretariat of specific problems encountered in implementing measures to prevent the use of their banking systems and the international financial system in money laundering, with a view to, inter alia, sharing experience and knowledge, devising ways of overcoming such problems and considering the advisability of adopting uniform procedures to this effect.

10. The Expert Group recommends that all States should take steps to prevent the use of financial institutions, including non-bank financial institutions, for the purpose of processing and laundering drug-related money.

11. The Expert Group recommends that States should encourage banks and other entities providing financial services, institutions and professional groups (attorneys, accountants, stockbrokers, trustees etc.) to co-operate fully with supervisory or law

enforcement authorities in order to combat the processing and laundering of drug-related money and to ensure that such authorities are able to receive and, if necessary, to act upon reports of suspicious transactions.

12. The Expert Group recommends that States, through their competent supervisory authorities, should provide educational and support services to counter money laundering and encourage financial and other institutions to develop and implement self-regulatory processes to prevent the abuse of the financial system.

13. The Expert Group recommends that banks and other entities providing financial services, institutions and professional groups:

(a) Should make certain that they have knowledge of the identity of their customers and clients when entering into business relations or conducting major business transactions on their behalf. If there is any doubt that customers or clients are acting on their own behalf, reasonable measures should be taken to identify the persons on whose behalf they are acting;

(b) Should scrutinize any unusual transaction or instruction concerning financial transfers without apparent economic rationality or legitimate purpose;

(c) Should be required to report any suspicious transaction to the competent supervisory law enforcement authorities. The disclosure in good faith of such transactions should not constitute a breach of any restriction to disclose information and should not entail penal or civil liability for the individual or institution concerned.

14. The Expert Group recommends that:

(a) States should take steps to strengthen international co-operation in combating money laundering by preventive action, law enforcement activities and other measures such as the facilitation of mutual legal assistance and extradition procedures;

(b) States should foster mechanisms for the rapid and direct exchange of information between competent authorities at the international level.

15. The Expert Group recommends that the Secretary-General should be invited to convene an expert group comprising of representatives drawn from the private and public sectors to define international

minimal standards of professional conduct in financial and related professional activities to counter the processing and laundering of drug-related money.

16. The Expert Group recommends that, in accordance with articles 3 and 9 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1/ and paragraphs 64 and 65 of the Global Programme of Action, contained in General Assembly resolution S-17/2, annex, of 23 February 1990, the Secretary-General, through the Division of Narcotic Drugs, should make liaison with the International Criminal Police Organization and the Customs Co-operation Council for the purpose of developing a unit with expertise to assist Member States, at their request, in developing and preparing laws and enforcement programmes to deal with matters relating:

(a) To drug trafficking, money laundering and related criminal activities, including organized crime;

(b) To the development and implementation of mechanisms to prevent banking and other financial institutions or systems from being used for processing or laundering money derived from, used in or intended for use in illicit drug trafficking;

(c) To the corruption of law enforcement authorities, government officials and institutions;

(d) To methodologies for the investigation of money laundering and the tracing of assets.

1/ E/CONF.82/15 and Corr.2.

17. The Expert Group, consistent with paragraph 72 of the Global Programme of Action, contained in the annex to General Assembly resolution S-17/2 of 28 February 1990, and article 5, paragraph 5, of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1/ adopted in 1988, recommends that Member States should give special consideration to contributing the value or a portion of the value of confiscated proceeds and assets to the United Nations for programmes related to the implementation of the 1988 Convention and the development and maintenance of systems and programmes related to illicit drug production, trafficking, processing and consumption and the laundering of drug-related money.

1/ E/CONF.82/15 and Corr.2.

18. The Expert Group recommends to the General Assembly that the necessary funding for recommendations 1-17 above should be made available at the earliest opportunity so that they may be implemented as soon as possible and have the greatest impact and effectiveness.

I. DISCUSSION

A. The scope of the mandate

10. The Expert Group began its deliberations by reviewing its mandate, given in General Assembly resolution 44/142, taking into consideration the views received from Governments regarding the scope and context of the study. It was considered essential at the outset to focus on the scope of the study, to build on previous related work, to set up achievable objectives and to adopt realistic guidelines and recommendations capable of being translated into action. Attention was drawn to the open-ended character of the mandate and the complex issues covered by it. Some experts stressed the importance for the work undertaken by the Expert Group to be well focused and limited to the elements set out in its mandate, with particular emphasis on those specified in subparagraphs 9(a) and (b) of the resolution. Most experts considered that the study should not be restricted to coca and opiates but should also include cannabis, psychotropic substances, synthetic drugs and precursors commonly seized on the illicit market. Some experts expressed the view that the time-frame did not permit the undertaking of a comprehensive study on the socio-economic consequences of illicit traffic, which appeared to be extremely wide in scope.

11. Several experts considered that the meeting should not confine itself to an examination of the implications of money laundering but should also study other aspects, in particular the social consequences of illicit traffic, which in their view were as detrimental as the more visible financial and economic aspects of illicit traffic. That was considered to be particularly the case for producer and transit countries. Reference was made to the human cost of fighting illicit traffic and the social cost of drug abuse and its negative ramifications, such as adverse effects on health, the family, youth and the social and political fabric of society. While recognizing the importance of the problems associated with drug abuse, it was suggested that, given the limited time available to the Expert Group, the study should focus on the problems related to illicit traffic.

12. Several experts agreed with the suggestion made by some Governments on the scope and context of the study (DND/EGM/ECON/2 and Add.1 and 2) that the conclusions of the Financial Action Task Force on Money Laundering, convened by the Heads of States or Governments of the seven major industrial countries and the President of the Commission of the European Communities at the fifteenth annual Economic Summit in Paris in July 1989, should be accepted by the Expert Group as a starting point for its future work. The report and conclusions adopted by the Task Force constituted an exhaustive, comprehensive

study of the financial flows resulting from illicit drug trafficking. There was general agreement that the report, particularly the recommendations for banks and other financial institutions to adopt precautionary measures so that they would not be utilized by traffickers for laundering the proceeds of drug crimes and other related criminal activities, was particularly relevant to the consideration of subparagraphs 9(a) and (b) of General Assembly resolution 44/142. Several experts stated that the meeting should consider how the recommendations of the Task Force could be further improved in order to make them universally acceptable. While recognizing that several recommendations of the Task Force could have general application, several experts pointed to the fact that participation in the deliberations of the Task Force had been restricted to developed consumer countries; the views of producer countries had neither been sought nor taken into consideration in drawing up the recommendations. Some experts considered that, in addition to financial institutions, other entities, such as those in the real estate business and in the tourist industry, which were commonly involved in money-laundering activities, should also be included in the scope of the study.

13. One expert who had been associated with the deliberations of the Task Force stated that it had not ventured to consider the second aspect of subparagraph 9(a) concerning the impact of drug-related money transfers and conversion on national economic systems because of its broad scope and the difficulty of obtaining the data necessary to evaluate the effects of laundered resources on national economic systems. He said that the Expert Group should therefore consider the mandate in subparagraph 9(a) with caution.

B. Overview of the methodology for the study

14. In discussing the methodology for the study to be undertaken, the experts observed that, because of the illegal and criminal nature of drug trafficking, statistical data on the subject, at the national or international level, were often unreliable or incomplete. Thus, while Member States were threatened more than ever before by the growth in drug abuse, illicit drug trafficking, organized crime and money laundering, it was difficult to quantify that growth. Few States were able to produce reliable estimates of the extent of the illicit drug problem within their borders. Accordingly, reaching meaningful empirical conclusions substantiated by reliable qualitative and quantitative data on the magnitude and characteristics of economic transactions and financial flows related to illicit traffic appeared problematic. Scant and unreliable data made a more thorough consideration of the mandate of the Expert Group a difficult enterprise.

15. Several experts considered that while the statistical data, particularly regarding seizure statistics, provided to the Secretary-General by States parties to international drug control treaties in accordance with their obligations under those treaties were not comprehensive, they nevertheless constituted some of the most reliable data available on illicit traffic and drug abuse. With reference to the collection, collation, analysis and publication of data on the illicit traffic in his country, one expert pointed out

that as only limited statistical data on the subject were available, assessments were by necessity based on information gained from investigations, foreign and domestic production and consumption estimates and known crime statistics. Indeed, statistical methods that might yield only rough estimates often had to be used. Such estimates, gathered over the years, provided some of the most accurate assessments available of the magnitude and dimensions of illicit drug traffic.

16. Because there was currently no consensus on the magnitude of illicit drug traffic and drug abuse at the international level and no universally accepted standard to determine their scope, the precise volume of drug-related money transfers and conversion was not known. Those in the Expert Group who had also participated in the deliberations of the Task Force pointed to the difficulties encountered by the Working Group on Statistics and Methods of the Task Force in fulfilling its remit, which was (a) to study the scale and nature of the financial flows arising from illicit drug trafficking, including a description of the methodology used to make the estimates; and (b) to describe and classify existing money laundering methods inside and outside the Task Force area with a view to identifying key features.

17. Initially, the Working Group considered making a direct estimate by measuring international drug-money flows from international banking statistics and capital account statistics for the balance of payments. The International Monetary Fund and the Bank for International Settlements, which were requested to make the estimation, reported that there was no accurate way of measuring drug-money flows directly. While deposits covered by the international banking statistics included a substantial amount of drug money it was not possible to isolate that money from financial flows originating from legitimate business. Furthermore, money laundering was effected by rapid transactions such as electronic transfers; consequently, the money often entered the financial market in a "prewashed" stage. The Working Group accordingly hinged its findings on estimates of the implied financial flows arising from estimates of the consumption and production of drugs, rather than attempting to measure drug-money flows. That method, based on the assumption that financial flows arising from illicit drug trafficking were initially the counterpart of drug flows, was subject to significant inaccuracy as estimates of both illicit drug consumption and the total proceeds at the street level contained a wide margin of error owing to inadequate information on the total number of addicts, the frequency of abuse, and the varying purity and constituents of illicit drugs sold at the street level.

18. Another method of indirect estimation consisted in projecting the total amounts of illicit drugs available for sale by applying a multiplier to recorded seizures, estimated on the basis of a law enforcement seizure rate which, on a weighted average, could be approximately 10 per cent. The application of a 10 per cent multiplier to recorded seizures raised significant methodological problems, particularly since weighting statistics to take into account consignments seized in transit to, through or from the reference country made such calculations unreliable. Several experts cautioned against the establishment of estimates utilizing such multipliers to recorded seizures

since, for example, the quantity of seized drugs could be a significantly higher or lower percentage of the total quantity of drugs in the illicit market depending on, inter alia, the effectiveness of law enforcement operations and measures limiting diversion into illicit traffic.

19. A more logical approach consisted in identifying abusers of illicit drugs. By determining the number of addicts or abusers of a specific illicit drug, the quantities of it they used and the price they paid for it, it would be possible to establish the cash flow required by drug abusers to buy the illicit drug in a given territory. With that type of data the profit level of organized crime, as well as the amount of drugs that were being supplied and distributed, could be determined; however, such data retrieval and surveys were difficult to undertake and co-ordinate on a world-wide scale.

20. In order to compensate for the lack of reliable statistical data, it was suggested that the Expert Group should proceed by estimating the illicit traffic situation based on the extrapolation of existing data from different sources. Such an estimation could be undertaken for aspects of the illicit drug traffic that were identifiable, such as production, manufacture, the number of drug abusers, and prices at the production, manufacture and retail levels.

21. The Director of the Division of Narcotic Drugs informed the meeting of the current activities of the Division to enable it to establish a reliable and up-to-date data base covering illicit traffic and drug abuse in different countries. In that regard he drew the meeting's attention to the recommendations of the Expert Group Meeting on the Detection of Illicit Cultivation of Narcotic Plants by Remote Sensing (E/CN.7/1990/CRP.15), held at Vienna from 23 to 27 October 1989. If resources to implement those recommendations were forthcoming the Division would be in a position of having an objective data base on the extent of illicit cultivation of the opium poppy and the coca bush. Another ongoing activity was the work being undertaken by the Expert Group on the Establishment of an International Drug Abuse Assessment System (IDAAS), whose recommendations, if and when implemented, would fill the current gaps in knowledge and provide epidemiological data on drug abuse at the national and international levels. Currently, strategies for the prevention and control of drug abuse were handicapped in most countries by a lack of reliable data concerning the extent and pattern of drug abuse.

22. The Expert Group considered that the limited amount of time available to it, two meetings totalling three weeks, was not adequate to fulfil its mandate. In comparison the Task Force had had eight months to undertake a narrower study. The Expert Group was not able, in the time allotted to it, to have collected and to evaluate statistical and empirical data or to make a satisfactory estimate of different aspects of illicit traffic, in particular, production, distribution and consumption. Its efforts were hampered by the lack of accurate and reliable empirical data (see annex II).

23. The Expert Group noted with great concern the significant gaps in the collection and processing of information, particularly of statistical data, on

illicit traffic in and abuse of narcotic drugs and psychotropic substances at the national and international levels. That was particularly the case with regard to information on production, distribution and consumption. Several experts commented on the limitations of the annual reports questionnaire for the implementation of the drug control treaties. It was observed that it should be modified, following the entry into force of the 1988 Convention, to cover in a more comprehensive manner the different stages of the illicit traffic chain: cultivation or manufacture; processing; distribution; consumption; and laundering and investing drug-related money. The Expert Group took note of the IDAAS project, which would provide greatly needed information on illicit consumption.

24. Following a review of its mandate and the difficulties encountered in conducting its study, principally the lack of reliable information, including statistical data, the Expert Group unanimously agreed that it was imperative for the United Nations to develop a comprehensive, unified information system and to provide reliable data and information on the illicit drug trafficking chain, especially illicit cultivation or manufacture, processing and consumption.

25. The advantages of and need for a better comprehensive information system included the urgent need for comprehensive and more reliable data on the social and economic effects of illicit production, traffic and consumption and other related factors. The Expert Group agreed that the information system should be established by cost-effective means and co-ordinated action, with the Division of Narcotic Drugs taking prime responsibility, in line with the mandates given to it by the international drug control treaties and the Global Programme of Action, paragraphs 13 and 14.

26. To effectively combat the complex and multi-faceted phenomenon of illicit traffic in and abuse of narcotic drugs and psychotropic substances, reliable information was needed on the geographical spread, for example, which countries were affected by the different activities in the trafficking chain and in what manner, and on the vertical structure of illicit traffic, in order to provide information on the following junctures of illicit trafficking: (a) cultivation or manufacturing at the local level; (b) processing; (c) movement from production areas to consumption areas by organized crime; (d) national and regional distribution systems; and (e) street-level traffic and distribution by and among abusers.

27. Information on the phases of the illicit traffic chain noted in paragraph 23 above was needed to show the interconnection of activities in various levels and countries; to inform Member States, particularly those with little capability to collect, process and analyse data of international trends and threats that illicit drug draffic and abuse constituted for them; to detect changes in the flow of illicit drugs, precursors and proceeds and in trends in related organized crime; to show more accurately where major illegal profits were made and their impact on the local economy and private institutions; to analyse the laundering and processing of drug-related money and establish trends at the international level; to analyse organized criminal activities

and identify their weak points; to enable national and international agencies to adopt more effective countermeasures to combat illicit production, distribution, marketing and consumption and their adverse consequences on various groups in the population; to conduct policy implication studies; to conduct analytical studies of drug production, marketing and consumption; to show the social and economic situation of groups affected by drug production, trade and consumption; and to provide general information to society on the drug problem and thus promote a better foundation for public discussion and a better understanding of policies.

28. It was agreed that the data required for the information system should include comparable estimates, by country, on the volume and price of the illicit drugs produced, distributed (imported and exported) and consumed. Prices and volumes should be estimated for each of the five junctures of illicit drug trafficking (see paragraph 26 above). Statistics and information on drug-related criminal activities, illicit drug trafficking and the proceeds expected to be laundered should also be included.

29. In order to supplement the information provided by parties to drug control treaties and to improve the quality of the data on drug abuse and illicit traffic, Member States, as well as international agencies and non-governmental organizations dealing with drug abuse or illicit drug trafficking, should be encouraged to conduct, at regular intervals, surveys and analytical studies (a) on the social and economic situation of illicit crop growers and the dependence of various population groups in producer countries on income from narcotic drugs; (b) on the socio-economic and health conditions of drug abusers, and patterns of illicit drug consumption and addiction; (c) on the methods used for laundering or disposing of drug-related assets and the types of business fronts used; (d) on the total amount of assets traced; (e) on the countries, institutions and individuals involved; and (f) on the economic characteristics of illicit drug production, trade and consumption, in particular supply-price response, demand-price response, fluctuations in production, prices and flexibility of markets, and the effect of various policy measures on supply, distribution, demand and prices.

30. With regard to modalities to obtain the required information, the Expert Group noted that currently there was a considerable amount of information, including statistical data, gathered by the International Narcotics Control Board, the Division of Narcotic Drugs and other intergovernmental organizations, such as the International Criminal Police Organization (Interpol) and the Customs Co-operation Council (CCC). That data could be significantly improved by standardization, harmonization and co-ordination following the establishment of a central unit within the United Nations responsible for data collection, collation, processing, analysis and dissemination. That unit would be responsible for presenting a general overview of the situation of drug abuse and illicit traffic in an annual report. The Expert Group proposed the following measures with a view to filling the current gap in data:

(a) The collection of data on factors such as volume and prices from States in production, transit and consumption areas should be standardized,

co-ordinated and generally improved. The Division of Narcotic Drugs, in consultation with other organizations concerned, should obtain standardized strategic information on the extent of drug abuse, money laundering, seizures, organized crime, prices at different stages of the trafficking chain and related information, utilizing, inter alia, meetings of heads of national drug law enforcement agencies (HONLEA). The HONLEA meetings provided a venue for in-depth consideration of drug law enforcement matters at the regional level and were therefore an ideal mechanism to assist in establishing a drug estimate for each of the regions, particularly since the participants, responsible for drug law enforcement at the operational level, had direct access to operational information regarding the different facets of illicit traffic;

(b) The Division of Narcotic Drugs should utilize the necessary expertise or should be provided with resources to develop its capability to collect, collate and analyse statistical data and other information in order to establish trends and should publish the results in an annual drug estimate for the whole world. The annual drug estimate would cover every aspect of illicit drugs from production to consumption, including the involvement of organized crime and information on money laundering. As various statistical data and other information obtained might not be reliable because of the illegal nature of illicit production and illicit trafficking, considerable statistical adjustments might be required, particularly during the first years of operation. While the ranges from the statistical data and other information might initially be wide, the meeting agreed that the reliability of statistical data would increase significantly following systematic data analysis, comparison with statistical data and information from different sources, use of secondary sources and improvement of methodology;

(c) Prior to the introduction of such a comprehensive data system and the collection of information, thorough preparatory study should be undertaken, in consultation with both international and national organizations. There would be no major obstacles for the implementation of such a system, as the cost in terms of equipment and personnel would be modest. Furthermore, it was a vital tool for gauging the magnitude of the problem and adopting viable policies to deal with illicit drug trafficking and drug abuse at the international level;

(d) As the extent of the difficulties in amassing all the necessary statistical and other information were found by the Expert Group to be greater than envisaged at the outset, it was felt that the Secretary-General should be called upon to convene further expert groups consisting of four or five experts each to develop a methodology to establish a comprehensive, unified information system on drug abuse and illicit traffic. Those meetings could also be requested to consider the issue of collecting, collating and processing data of a confidential and sensitive nature. To that effect, it was suggested that the relevant provisions in international treaties regarding the collection, collation and treatment of information of a confidential nature should be taken into consideration.

II. MECHANISMS WHICH WOULD PREVENT THE USE OF THE BANKING SYSTEM AND THE INTERNATIONAL FINANCIAL SYSTEM FOR DRUG-RELATED MONEY TRANSFERS AND CONVERSION (SUBPARAGRAPH 9(b))

31. The Expert Group began the substantive consideration of its mandate by examining mechanisms to prevent the use of the banking system and the international financial system for drug-related money transfers and conversion (money laundering), as requested by the General Assembly in its resolution 44/142, subparagraph 9(b), which was specific and narrow in scope.

32. Several experts presented an overview of the problems that money laundering represented for their countries and for the banking and international financial systems in particular. The Expert Group recognized that illicit drug trafficking, because of the large financial profits and wealth it generated, had become a major problem in money markets throughout the world. Drug money had enabled traffickers to penetrate legitimate businesses, to hide their illicit gains, to distort and undermine commercial enterprise, particularly the financial sector, to corrupt officials and to threaten the stability and security of States. To ultimately succeed, however, the unlawful proceeds must be consolidated and the profits purified. It was observed that money laundering was the sole aspect of the international illicit drug trafficking chain that was free from violence because it had to be subtle to work effectively and consistently. For that reason, it posed the greatest problem for countries and institutions. It was difficult to convey to populations or politicians the threat that money laundering posed to economies and societies as it was not imminent or immediately apparent. Lamentably, because of the public's lack of awareness and false sense of security, organized illicit drug trafficking syndicates were able to hide behind a cloak of profitability and apparent immunity.

33. The objectives of money laundering were (a) to conceal the ownership and origin of the money; (b) to control the money flow; and (c) to change the form of the money, converting huge volumes of cash of low denominations. There were several "choke" points in money laundering, points at which the process was vulnerable to detection: when cash or assets entered the financial system, flowed across border points or were transferred within or from the financial system. Banks and other financial institutions played a key role at each choke point.

34. The Expert Group decided to focus its discussion on drawing up practical guidelines and measures for consideration by States, financial and other institutions and the Secretary-General.

A. Measures for the consideration of States

35. The Expert Group reviewed and took note of the useful work done by various bodies at the regional and international levels regarding steps to be taken by States against money laundering and mechanisms to prevent the misuse of the banking system and financial institutions by drug traffickers and organized criminal groups. In particular, the meeting considered

Recommendation No. R (80) 10 on measures against the transfer and the safe-keeping of funds of criminal origin, adopted by the Committee of Ministers of the Council of Europe on 27 June 1980 at the 321st meeting of the Ministers' Deputies, and the recommendations contained in the report of the Financial Action Task Force on Money Laundering of 7 February 1990; the Declaration and Program of Action of Ixtapa, adopted by the Meeting of Ministers on the Illicit Use and Production of Narcotic Drugs and Psychotropic Substances and Traffic Therein - Alliance of the Americas against Drug Traffic, held at Ixtapa, Mexico, from 17 to 20 April 1990; a report by the European Committee on Crime Problems of the Council of Europe entitled "Draft explanatory report on the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime" of 26 April 1990; the Declaration of the World Ministerial Summit to Reduce Demand for Drugs and to Combat the Cocaine Threat, held in London from 9 to 11 April 1990; the report of the Caribbean Drug Money Laundering Conference, held at Oranjestad, Aruba, from 8 to 10 June 1990; the Declaration of Cartagena (A/S-17/8, annex); the Global Programme of Action; the Statement of Principles of the Basel Committee on Banking Regulations and Supervisory Practices of 12 December 1988; and the 1988 Convention.

36. The Expert Group considered that States should examine the recommendations contained in the above-mentioned documents concerning measures to be adopted against the effects of money derived from, used in or intended for use in illicit drug trafficking, illegal financial flows and illegal use of the banking system, in particular those contained in the report of the Task Force and in the Global Programme of Action, and should be urged, where appropriate, to implement them to the widest extent possible.

37. Several experts commented on the important role of the 1988 Convention, in particular articles 3 and 5, the provisions of which, if implemented universally, would deprive illicit drug traffickers of their gains. There was general agreement that the provisions of article 3, subparagraph 1(b), concerning measures to criminalize the processing and laundering of drug-related money, and article 5, concerning measures to identify, trace, seize and confiscate proceeds or property derived from illicit drug trafficking, constituted the basis for effective international efforts in that direction and that all States should implement such measures in order to counter money laundering effectively. States that had not yet done so were urged to ratify or accede to the 1988 Convention in order to ensure its early entry into force and universal application. Pending ratification of or accession to the 1988 Convention, States should adopt measures necessary to ensure the provisional application of that Convention, in particular articles 3 and 5.

38. Several experts expressed the view that States should review their national legislation with a view to harmonizing it with the provisions of the 1988 Convention in order to facilitate investigation in money-laundering offences. Some experts pointed to the stringent penalties for money-laundering offences adopted by their Governments. Some experts held the view that in order to be credible investigative authorities must be empowered to investigate money-laundering offences on the basis of suspicions. Criminal

investigations into money laundering should not be inhibited by bank and corporate secrecy laws, professional privilege laws or practice. The view was expressed that in order for Governments to adopt the most effective measures against money laundering, more information on the modus operandi of illicit drug traffickers should be made available. To assist the competent authorities in Member States in identifying what could constitute suspicious transactions, the Expert Group decided to request that copies of an illustrative list of suspicious transactions submitted by the expert from the United Kingdom, deposited with the Division of Narcotic Drugs, be made available to Governments on request.

39. Some experts expressed the view that the Expert Group should not only consider mechanisms to counter money flows derived from illicit drug trafficking, but also measures to deal with connected activities, such as the flow of precursors, materials and equipment, covered by articles 12 and 13 of the 1988 Convention.

40. Referring to paragraph 72 of the Global Programme of Action and article 5, paragraph 5, of the 1988 Convention, several experts proposed that the Expert Group recommend that States should consider the possibility of using forfeited property and proceeds or the equivalent value for United Nations drug control programmes for which no funding was available from the regular budget. Such contributions would preferably be used to finance the comprehensive information system proposed by the Expert Group.

41. It was observed that several Governments were not in favour of sharing confiscated assets; they held the view that such assets should remain with the State confiscating the proceeds or property. One expert indicated that the current cost of drug law enforcement in his country could not be covered by confiscated assets and proceeds and that in his view there was little possibility of such funds being made available to the United Nations.

42. Various proposals were made for the allocation of forfeited assets or proceeds to the United Nations, as a matter of priority, to fund:

(a) A statistics and information unit, within the Division of Narcotic Drugs, to be responsible for the activities envisaged in recommendation 1;

(b) The costs of a "centre of expertise" for the investigation of money laundering and the tracing of assets, to be staffed by law enforcement officers with recent first-hand operational experience, whose services would be made available to Member States requesting training in, advice on or assistance with the tracing of assets; such services were incorporated in recommendation 16, subparagraph (d), though without the funding element;

(c) Other programmes related to the implementation of the 1988 Convention and the development and maintenance of other systems and programmes related to illicit drug trafficking;

(d) Programmes in countries affected by illicit production;

(e) Compensation to transit States for costs incurred in interdicting transit traffic.

Those proposals were included in recommendation 16.

43. In the course of the discussion of the proposal listed in subparagraph 41 (b) above, one expert drew attention to the need, once new legislation in line with the 1988 Convention was in place at the national level and additional powers were made available to law enforcement investigators, to "bridge the gap" and to ensure that those powers were utilized to the maximum. To that end he recommended that the skill and expertise of a group of investigators with recent experience in conducting inquiries into money-laundering activities should be made available in an advisory capacity to assist, on request, the national operational investigating units of Member States. The setting up of such a group or centre of expertise, it was proposed, should follow liaison with Interpol and CCC. Because there was some doubt regarding the extent to which such experts might become operationally involved, it was decided that the specific nature of the advisory service should be developed through liaison between the Division of Narcotic Drugs, Interpol and CCC.

B. Measures for the consideration of financial institutions

44. The Expert Group recognized that illicit drug traffickers often shielded their activities within legitimate business enterprises engaged in cash transactions. In this connection, reference was made to recommendation 11 of the Task Force and particularly to article 8 of the Proposal for a Council Directive on the Prevention of the Use of the Financial Systems for the Purpose of Money Laundering of the Council of the European Communities (COM (90) 106 final - SYN 254), which extended provisions applicable to banks "to professions and undertakings ... which, because of their involvement with cash transaction business, may be particularly susceptible to being used for money-laundering purposes". 1/ Thus, the Expert Group recommended that the minimum standard of professional conduct proposed for adoption by banks and financial institutions should also extend to non-bank financial services and institutions, as well as professions, such as the accounting and legal professions (see recommendations 12 and 13).

45. It was observed that banks and other financial institutions were the ultimate target of illicit drug traffickers as they alone could provide the capacity, stability and speed to transfer the huge sums derived from illicit traffic to their final destination, making even the most diligent bankers vulnerable. The Expert Group agreed that in order to facilitate the investigation and prosecution of money-laundering offences, States should request banks to adopt legal norms and principles that would constitute a minimum code of conduct regulating their operations. The Basel Principles and the recommendations of the Task Force, in the view of most experts, contained minimum standards which banks and financial institutions might be requested to adopt. Some experts pointed to the measures that central and commercial banks had to adopt as a result of initiatives adopted by their Governments. One

expert indicated that, in his country, any bank failing to implement the Basel Principles and other measures adopted by the Task Force could have its licence revoked.

46. The Expert Group considered it imperative for both banks and non-bank financial institutions, as well as other professional groups, to be encouraged to co-operate voluntarily to counter the laundering of drug money. To enhance that process, States should establish direct channels of communication and a continuous dialogue with representatives of financial institutions and other professional or corporate groups, such as banking associations, bar associations, law societies, chambers of commerce and insurance firms. That was necessary in order for them to be made more aware of the dangers that the laundering of proceeds from illicit drug trafficking represented to local and international economies and to co-operate in establishing self-regulatory procedures. It was mentioned that the Basel Principles had been adopted by the international banking sector, as a measure of self-regulation.

47. The Expert Group noted that thus far the emphasis had been placed on public sector solutions consisting mainly in the adoption of new laws and regulations providing more stringent penalties as a tool for combating money laundering. The experts considered that, as a priority, increased efforts should be made to involve the private financial sector in the process of monitoring money laundering, relying on its familiarity with the day-to-day methods used in money laundering and on its vested interest in not permitting business operations to become tainted by being associated with money-laundering activities.

48. The Expert Group agreed that to promote their co-operation, banks and financial institutions should be familiarized with the legislation, conventions and recommendations applicable to them and with ways in which they could assist government authorities in tracing money, particularly in the investigation and prosecution of offences related to money laundering. The important role of banks in preventing money laundering was emphasized; bankers should question the source of large sums of money being deposited because it was difficult if not impossible to detect or stop laundered money at a later stage. It was vital for banks and other financial institutions to exercise more diligence in order to avoid accepting dubious deposits.

49. With reference to the Basel Principles and the Task Force, the Expert Group stressed the importance of institutions knowing the identity of their clients and, most importantly, the type of financial transactions their customers usually undertook in order to be able to identify suspicious transactions. The difficulties encountered in knowing the true identity of the owners of laundered proceeds were mentioned by several experts. Reference was made to the relationship between lawyers, their clients and the banking system, which allowed lawyers to abuse their privileges and to undertake financial transactions on behalf of their clients without revealing their identity. Similarly, "sham" corporations managed by a trust or board of governors were set up to hide the identity of the true owners. There was

agreement that the onus should be on corporations and professional groups to know the identity of their business counterparts.

50. Methods used by illicit drug traffickers to circumvent customer identification and record-keeping rules were discussed. The Expert Group endorsed recommendations 12 and 14 of the Task Force, in which financial institutions were requested not to keep anonymous accounts or accounts in obviously fictitious names and to retain, for at least five years, all records on domestic and international transactions so that, if necessary, they could provide evidence for the prosecution of criminal behaviour. One expert drew the attention of the meeting to the use of parallel or underground banking systems, particularly by operators in Asian countries, where record-keeping procedures were practically non-existent. Coded messages and telephone calls were the usual conduits used to transfer drug money from one country to another. They provided traffickers with complete anonymity and total security for the transactions as there was no audit trail to follow. It was, however, pointed out that even in such cases normal banking channels were not completely avoided as the underground bankers must at one time or another use them to move funds. At that stage in their operation, they were vulnerable to law enforcement action.

51. The Expert Group observed that a significant share of drug money was laundered through legitimate business and legal transactions such as international trade, using such techniques as double-invoicing (over-invoicing of imports and under-invoicing of exports). Under that scheme, a domestic company would order goods from the offshore corporation at inflated prices. The difference between the inflated price and the real value would be deposited into an offshore account, often in a completely different jurisdiction. Such practices called for more stringent control by the customs services, particularly in verifying whether exported and imported commodities had their declared values.

52. One expert indicated that his Government had adopted new legislative measures to apply the recommendations of the Task Force. Those included the mandatory reporting of suspected financial transactions or any other money-laundering operation, the monitoring of financial flows and the establishment of an inter-ministerial, central authority to monitor the implementation of the measures adopted. It was suggested that the Expert Group should consider proposing that States establish an authority to co-ordinate the implementation of measures to counter money laundering. Several experts observed that such an authority should only have a supervisory or clearing-house function as in their countries several different law enforcement agencies were involved with money laundering laws, investigations, prosecutions and the confiscation of assets. It was not, accordingly, considered practical or feasible to establish one central authority or agency.

C. Measures for the consideration of the Secretary-General

53. The Expert Group observed that its consideration of the mechanisms to prevent the use of the banking and international financial systems by illicit

drug traffickers for money laundering had been hampered by the lack of reliable statistical and strategic information on drug-money flows (see chapter I, section B, above). The data currently available were unreliable and were mostly derived from national projections and estimates. To deal with that concern the Expert Group considered that the Secretary-General, through the Division of Narcotic Drugs, should be requested to develop the professional expertise to collect, collate and analyse information concerning the proceeds derived from illicit drug trafficking, as well as the distribution and use of such proceeds, in order to evaluate the financial impact of money laundering and to devise appropriate countermeasures. Reference was made to paragraph 70 of the Global Programme of Action concerning the feasibility of establishing a United Nations facility to strengthen the gathering, collation and exchange of information on the financial flows from illicit drug trafficking. The view was expressed that since not all agencies responsible for monitoring money laundering at the national level reported to Interpol, the United Nations should be asked to take the leading role in collecting, collating and analysing such information with a view to publishing an annual estimate concerning the flow of such funds. The Expert Group recognized that new information should be gathered and new reporting procedures should be developed to assist States in implementing the 1988 Convention, which was expected to enter into force soon.

54. To assist States in implementing the 1988 Convention, in particular articles 3 and 5, thereby countering the economic power of illicit drug traffickers and removing the financial incentives from illicit drug trafficking, the Expert Group recommended the Secretary-General should be called on to implement the mandates given to the United Nations by the drug control treaties, particularly the 1988 Convention, the Global Programme of Action, the relevant General Assembly resolutions and the Comprehensive Multidisciplinary Outline of Future Activities in Drug Abuse Control, adopted by the International Conference on Drug Abuse and Illicit Trafficking, 2/ as well as resolutions of the Economic and Social Council and the Commission on Narcotic Drugs.

55. Particular reference was made to paragraph 64 of the Global Programme of Action in which the General Assembly recommended that the Division of Narcotic Drugs, in co-operation with CCC and Interpol, should promote bilateral or regional exchanges of information between government regulatory or investigative agencies concerning the financial flow of illicit drug proceeds. Consonant with target 23 of the Comprehensive Multidisciplinary Outline, the Division should make arrangements to facilitate and enhance the effectiveness of international co-operation regarding the investigation of financial activities involving illicit traffic, the rapid exchange of information on transborder laundering schemes and techniques and of experience. Such knowledge should be promoted by offering training to those involved in the investigation and prosecution process, as well as to financial institutions and other relevant institutions.

56. The Expert Group agreed that the Secretary-General should be invited to convene an expert group, composed of experts from the private and public

sectors, to consider adopting measures and mechanisms that would constitute a minimal standard of professional conduct applicable to banking and other financial institutions, as well as other professional groups whose undertakings, because they involved large cash transactions, were particularly susceptible to being used as a conduit for money laundering. Such measures would supplement those already recommended for adoption by financial institutions for the identification of their customers and clients, the keeping of records and the reporting of suspicious transactions.

III. THE MAGNITUDE AND CHARACTERISTICS OF ECONOMIC TRANSACTIONS RELATED TO DRUG TRAFFICKING IN ALL ITS STAGES, INCLUDING PRODUCTION OF, TRAFFIC IN AND DISTRIBUTION OF ILLICIT DRUGS, IN ORDER TO DETERMINE THE IMPACT OF DRUG-RELATED MONEY TRANSFERS AND CONVERSION ON NATIONAL ECONOMIC SYSTEMS (SUBPARAGRAPH 9(a))

57. The Expert Group considered that any study on the economy and social consequences of illicit traffic should be based on the premise that the fight against the twin problems of illicit drug trafficking and drug abuse was the collective responsibility of all States. Any distinction between producer, transit and consumer countries was an artificial one as all countries, albeit in varying degrees, were faced with those two problems. The study to be undertaken on the basis of the framework proposed by the Expert Group should be based on a balanced approach, one that covered the implications of both illicit drug traffic and drug abuse.

58. The view was expressed that it was important for the study to take into consideration the relationship between democracy, development, external debt and the illicit drug trade. Some speakers emphasized the importance of studying the political implications of illicit drug trafficking, which, because of its relationship with organized crime, undermined democratic institutions.

59. While recognizing the collective responsibility of the international community to combat illicit traffic and drug abuse, some experts held the view that the laundering and subsequent investment of drug money occurred mainly in developed countries with sophisticated banking systems and diversified economic bases. One expert observed that there was no laundering of drug proceeds in her country since there was no provision for banking secrecy. The meeting was informed that a recent study had indicated that 80 per cent of the value of proceeds generated from illicit traffic and cocaine remained in consumer, i.e. developed, countries.

60. The Expert Group recognized (see chapters I and II above) that it was difficult to obtain reliable data regarding the magnitude of the economic transactions related to illicit drug trafficking and to evaluate the impact of drug-related money transfers and conversion on national economic systems. It recognized that the economic consequences occurred at each stage of the illicit drug trafficking chain: cultivation or manufacturing; processing; distribution; consumption; and laundering and investing proceeds and assets.

61. Some experts considered that the impact of drug-related money transfers and conversion on national economic systems mentioned in paragraph 9(a) of General Assembly resolution 44/142 could be evaluated by analysing the commercial transactions at the different phases of the illicit trafficking chain. Prices and money flows increased as illicit drugs neared the consumer market. Different money laundering operations occurred at various phases of the illicit traffic chain, and banking systems and financial markets played different roles and were affected differently in each phase. The dynamics at different geographical locations and their impact on the illicit traffic operations also varied. Furthermore, it was considered necessary to know the nature of the transactions that were occurring at each location in order to understand and gauge the impact on the economic system and how they affected the money flow whenever illicit drugs were exchanged for money or drug money was laundered.

62. Several experts referred to the adverse effects of illicit traffic and drug abuse on their countries' economies. They observed that proceeds from illicit drug trafficking had penetrated every sector of those economies. Illicit drug trafficking and drug abuse, in particular the volume of drug-money transfers, affected not only the labour market but all productive factors. The negative effects of financial flows on economic policy were particularly detrimental since they were often detected ex post facto. Accordingly, the effectiveness of economic policies to curb inflation and service external debt were undermined.

63. Several experts observed that drug-related money transfers and conversion and the economic transactions related to illicit drug trafficking had aggravated the debt problem; in particular, the transitory, unexpected liquidity flows contributed to an increase in commodity imports. Some experts referred to measures adopted by their Governments to scrutinize and monitor large drug-related cash flows into certain cash-intensive economic activities. The Expert Group agreed that investments in economic activities commonly used by illicit traffickers for money laundering should be carefully scrutinized.

64. Some experts expressed their reservations regarding the link between external debt and illicit drug trafficking. In response, others indicated that economic analysis had demonstrated that illicit drug trafficking and debt servicing were interlinked. Reference was made to a recent study undertaken by the Latin American Economic System (SELA) that further demonstrated such interlinkage.

65. The Expert Group agreed on the existence of interlinkage between external debt and illicit drug trafficking on account of the abnormally large liquidity flows. It recognized the urgent need to quantify drug-related money transfers in order to have greater knowledge of such flows and the need to adopt the necessary countermeasures. The Expert Group agreed that the United Nations should carry out an analytical study to establish and quantify the interlinkage between illicit drug trafficking and external debt and the economic implications arising therefrom.

66. There was general agreement that States with small economies, such as the island States of the Caribbean, were particularly vulnerable to illicit drug trafficking as the money that drug traffickers possessed far exceeded the gross national product of those States. That concern had led to the Caribbean Drug Money Laundering Conference being held at Oranjestad, Aruba, from 8 to 10 June 1990.

67. Some experts pointed to the negative effects of drugs on rural communities. The increase in illicit cultivation of narcotic plants had modified the traditional crop pattern in several rural communities. Some speakers indicated that the coca economy, which had yielded increased proceeds in the past 10 years, had contributed to social imbalance, to an increase in drug abuse and to rural migration, particularly in the Andean region, to the coca-growing areas.

68. Several experts observed that crop substitution and crop replacement programmes involving the opium poppy and the coca bush had been largely ineffective primarily because of a lack of markets for the new crops. For such programmes to be viable, it was vital to ensure that peasants were provided with market outlets. Accordingly, it was argued that commodities from producer countries should be given preferential treatment. With reference to a comprehensive study on the effects of illicit drug trafficking on the national economy of Bolivia, one expert argued that an innovative approach leading to the replacement of the coca economy by a viable alternative was needed.

69. Several experts expressed their reservations regarding the effectiveness of providing economic compensation to farmers as a means of assisting producer countries in dealing with illicit cultivation. Some experts expressed their reservations concerning arrangements to give favourable treatment to commodities originating in producer countries as compensation for efforts in those countries to deal with illicit cultivation. They considered, furthermore, that the issue was beyond the mandate of the Expert Group.

70. There was general agreement that, in order to be effective, law enforcement measures to reduce illicit production should be accompanied by technical assistance programmes. If introduced in isolation, such measures would lead to the farmers turning to drug trafficking syndicates for protection.

71. Several experts referred to the ecological consequences of illicit cultivation, which included deforestation and the particularly damaging effects of excessive use of precursors, which were often disposed of in rivers. Some experts attached great importance to finding measures to deal with such indirect consequences of illicit traffic.

72. The Expert Group examined a collection of statistical charts prepared by the consultant for possible use in the study. It was decided that no statistics should be published until the new comprehensive and uniform system

proposed by the Expert Group was functioning and producing reliable and generally accepted data.

73. The Expert Group, following a discussion of its mandate under subparagraph 9(a), decided to establish subgroups to consider drawing a framework for a study that would focus on the characteristics of the illicit market, illicit drug production and illicit consumption, i.e. the abuse and misuse of illicit drugs, in order to evaluate the economic and social consequences of illicit traffic. In submitting its framework for the study (see annex II), the Expert Group stressed its provisional and preliminary nature due to the limited time available and the inadequacy of data, the intent being to inform the Secretary-General of the indicators that were considered to be the most important for any full-scale study that might be undertaken in the future.

74. There was some discussion on whether immediate action on the preparation of an instrument on demand reduction would be appropriate at the time. Finally, however, it was decided that the Expert Group should take note of the fact that the General Assembly, in the Global Programme of Action, paragraph 17, had already given a remit to the Commission on Narcotic Drugs to prepare an international instrument devoted to demand reduction.

Notes

1/ Official Journal of the European Communities, No. C 106, 28 April 1990, p. 8.

2/ Report of the International Conference on Drug Abuse and Illicit Trafficking, Vienna, 17-26 June 1987 (United Nations publication, Sales No. E.87.I.18), chap. I, sect. B.

Annex I

LIST OF PARTICIPANTS

Experts

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*Attended only the first session, held from 21 to 25 May 1990.

**Attended only the second session, held from 9 to 20 July 1990.

Consultant

Rod Stamler (Canada)

Secretary of the meeting

Michael Huins (Division of Narcotic Drugs)

Annex II

FRAMEWORK FOR A FUTURE IN-DEPTH STUDY ON THE ECONOMIC AND SOCIAL CONSEQUENCES OF ILLICIT TRAFFIC IN DRUGS, PROPOSED BY THE EXPERT GROUP

1. The Intergovernmental Expert Group to Study the Economic and Social Consequences of Illicit Traffic in Drugs decided to present to the Secretary-General for his consideration a preliminary and provisional study dealing with (a) the illicit market and its main characteristics; (b) the production of illicit drugs; and (c) consumption and distribution of illicit drugs. The objective was to map out the scope and indicate the parameters of any full-scale study that may be undertaken in the future.

I. INTEGRATED NATURE OF THE WORLD ILLICIT DRUG MARKET

A. Synopsis of the problem of drug abuse and illicit traffic

1. The scale of drug abuse

2. There are millions of illicit drug abusers in the world. They form part of every socio-economic and age group, in both rural and urban areas. Their money fuels the illicit drug trade, keeping in business local farmers involved in illicit cultivation, producers of psychotropic substances and designer drugs, and distributors throughout the world. A virtually unlimited amount of money, generated by illicit drug sales, flows upwards to top-level criminals who control commercial institutions and attempt to influence Governments by various means, including extortion, assault and murder.

2. The scale of illicit traffic, including involvement of organized crime

3. Organized criminal groups derive their profits from a wide range of activities, which include kidnapping, robbery, theft and fraud. Today criminal ventures commonly involve consensual crimes. Crimes related to illicit drug trafficking produce massive profits without a victim or a legitimate legal owner to initiate legal action.

4. Society is victimized by every aspect of the illicit drug trade. The drug abuser, the undermined commercial system used by organized crime, and the producer who has become dependent on profits derived from the illicit drug trade all suffer. In several countries affected by high levels of drug consumption, most of the income of organized crime comes from illicit drug trafficking and related activities.

3. The scope of the study regarding the illicit market

5. To determine the nature and scope of economic transactions related to illicit drug trafficking, it is essential to examine the entire process. Each phase, including illicit cultivation, production, refinement, transportation

and trafficking, has unique characteristics and specific economic consequences. Any study of the financial impact must also take into consideration the standard of living of each country or region and its proximity to consumer markets. Obviously, a tonne of cocaine does not command the same value in a producer country as it does in the city streets of a consumer country.

B. Problems with regard to the collection, collation and analysis of data

6. A detailed analysis of the illicit market calls for a cautious and pragmatic approach, as reliable statistical data and other information on illicit drug traffic and drug abuse on which any conclusion could be empirically based are not available (see chapter I, section B, of the report). The Expert Group observed that collected information, including information on illicit production, distribution and consumption, reveal general trends and generalizations regarding the functioning of the illicit drug market. The overview presented below is a preliminary step indicating some of the main characteristics of the illicit market.

C. Estimated total world production and values by drug type

7. The figures quoted and referred to below are to be viewed with caution; their accuracy and reliability could not be verified. The intent of the Expert Group was to illustrate the characteristics and functioning of the illicit market based on price estimates.

1. Opium/heroin

(a) Extent of opium poppy cultivation and of opiate production

8. In order to avoid detection and eradication, illicit poppy cultivation tends to take place in remote areas where there is minimal government control and the intervention capabilities of government authorities are limited. As Governments are not in complete control of most areas where the poppy is illicitly cultivated and heroin is illicitly produced, the information available on such cultivation or production is often inaccurate or incomplete. Thus, having to base projections of illicit supply on such data remains a major problem for the analysis of the market. Furthermore, the wide range in the purity level of heroin available on the illicit market can significantly affect price and quantity estimates.

(b) Price escalation following processing and value added

9. In one known production region a farmer may be paid up to $US 1,360 to grow and harvest 10 kg of opium. The raw opium product is then refined at a laboratory to produce 1 kg of pure No. 4 heroin, worth up to $US 4,500. The price rises to $US 6,800 at the distribution centre although the heroin is not altered. Upon arrival in the consumer country, the same kilogram of heroin, still unaltered, may be worth up to $US 100,000. Each ounce (28 grams)

fetches up to $US 15,000 and a single gram fetches $US 1,000. By the time the drug reaches the street, each unit of No. 4 heroin has been "cut" to a mere 5 or 6 per cent purity and is priced at $US 35.

10. More than $US 62 million is paid to the native farmers for the 2.7 million kg of opium that is produced annually in the region. The manufacturers receive between $US 1 billion and $US 1.2 billion for the over 278,000 kg of heroin produced. The heroin exported from the region fetches up to $US 1.9 billion in profits for organized crime each year.

11. In another region, well known for its illicit opium production, a farmer is paid up to $US 850 to produce 10 kg of opium, which is chemically converted to 1 kg of heroin worth up to $US 4,700. At a European distribution centre, the value soars to $US 90,000 per kilogram. The bulk value of the heroin at this stage of distribution is estimated to be between $US 277 million and $US 389 million annually.

12. Heroin available from other regions of the world whose opium is illicitly produced may yield as much as $US 1.9 billion. The total estimated income from heroin sales world-wide is believed to exceed $US 151 billion.

2. Cocaine

(a) Extent of coca bush cultivation and cocaine production

13. In Latin America, coca leaf production is part of the Andean cultural tradition. According to statistics, since 1965 the extent of illicit cultivation for the illicit manufacture of and illicit traffic in cocaine has increased exponentially, in response to increased demand and the rise in prices, creating grave problems for States in the Andean region.

14. The coca bush is easy to cultivate. It is grown in countries in and near the Andean region, often where the topographical conditions are difficult. It provides a supplementary source of livelihood for the rural population. Andean peasants in search of better economic conditions have migrated to such areas to engage in illicit cultivation of the coca bush, which brings greater economic gains than traditional crops.

15. Information on cocaine production and distribution appears to be more reliable than that on cannabis and opiates. Coca production, distribution and marketing are easier to quantify as there are fewer potential source countries, a shorter distance from source to market and a distribution network that is generally controlled by well-established organized criminal groups. The cocaine cartels control all aspects of production and distribution. As with heroin, however, it is difficult to determine the extent of the production of the raw material that is subsequently processed into cocaine for the illicit market. As the extent of illicit consumption is not known, it is difficult to determine the total profits derived from illicit cocaine traffic.

(b) Price escalation following processing and value added

16. A native Indian may be paid up to $US 500 for 500 kg of coca leaves, which are then refined in a laboratory to produce 2.5 kg of coca paste worth $US 800. The paste is further refined to produce 1 kg of cocaine base, valued at up to $US 1,200, which is chemically processed to produce 1 kg of pure cocaine hydrochloride worth $US 4,250. Upon arrival in the consumer country, the wholesale price soars to $US 50,000 per kilogram of pure cocaine. At the retail level, each ounce is cut to 50 per cent purity worth up to $US 3,000. Retail price for a gram of half-cut cocaine hydrochloride ranges from $US 100 to $US 200. Depending on the conversion figures used, the cocaine produced in clandestine laboratories is estimated to increase in value to as much as $US 2.5 billion. As few cartels are in control of production and distribution, the price does not inflate in the same manner as it does for heroin. Coca leaf producers receive between $US 118 million and $US 198 million each year.

17. Cocaine sales world-wide are estimated to be as high as $US 56 billion annually. If figures from consumption surveys are used, which exclude producer and transit country consumption, cocaine sales amount to an estimated $US 38 billion annually.

3. Cannabis (herbal cannabis and cannabis resin)

(a) Cultivation and production

18. Herbal cannabis and cannabis resin remain by far the most popular illicit drug forms. The most important cannabis-producing areas remain the Caribbean, the Middle East, the Near East, North America, South America and South-West Asia. The price does not fluctuate nearly as dramatically between producer and supplier as it does for other harvested crops, but the suppliers can move bulk shipments with massive transportation systems, such as offshore mother ships, jet airliners and fleets of trucks, which they own and operate.

19. As cannabis grows wild in many of the producing areas, it is difficult to estimate total crops; however, the maximum production estimates for 1988 were 26,000 tonnes for herbal cannabis and 1,500 tonnes for cannabis resin.

(b) Price estimates

20. The total estimate for the street value of cannabis in consumer countries is higher than for cocaine and heroin combined. The alarmingly rapid growth in the size, power and money-laundering capability of some distributors raises the spectre of new cartels emerging to control illicit traffic in cannabis.

21. It is particularly difficult to quantify illicit cannabis production. While it is possible to identify the major source countries, it is difficult to determine the source of the cannabis being marketed at the street level as cannabis plants can grow in almost every country, naturally, in greenhouses or using hydroponic techniques. This, in turn, makes it extremely difficult to

study and analyse the illicit drug trafficking chain from production to distribution; it is also particularly difficult to ascertain the prices charged at the different stages of the chain.

4. Psychotropic substances

22. Psychotropic substances or chemical drugs are most often produced in the laboratories of developed countries. Illicit production and control is primarily the function of organized criminal groups who operate clandestine laboratories and distribution networks. It is difficult to calculate the magnitude of the illicit market for psychotropic substances; the consumption of amphetamines and methamphetamines alone is estimated to amount to several billion dollars annually. In addition to the value of illicit manufacture, the illicit drugs diverted annually from the licit drug market are estimated to be worth billions of dollars. Thus, the diversion of psychotropic substances from the licit market constitutes an important source for the illicit drug market.

5. Designer drugs

24. The growing popularity of designer drugs is particularly alarming as a single laboratory can produce sufficient quantities to totally meet the market demand. With so great a potential to glut the market, it is logical to expect that this new phenomenon will become more pervasive should traditional supply systems of more popular drugs of abuse be disrupted.

D. Money laundering

25. To ultimately succeed in utilizing the immense wealth and the power accumulated from their illicit activities, drug trafficking syndicates must consolidate their unlawful proceeds and launder their profits. Estimates of the total value of international drug-money flows should, however, be viewed with as much caution as estimates for illicit drug flows. Measuring cash flows from international banking statistics and capital account statistics for balance of payments produces a direct estimate of $US 300 billion for 1987. That frightening total is also suspect. Indirect estimates refer to potential production. Net production has to take into account the results of crop-eradication programmes and net international supply requires operational losses, domestic consumption and seizures to be discounted. Equations based on interdictions to estimate the value of production or sales of illicit drugs provide equally suspect figures, complicated further by estimating the unknown value of drugs consumed by producers and of losses in the production and distribution phases of the illicit trafficking chain (see paragraphs 17-19 of the report).

E. Guidelines for future work on the functioning of the illicit market

26. The following conclusions could serve as guidelines for future work on the functioning of the illicit market:

(a) No reliable data are available on the cultivation, production, distribution and consumption of illicit drugs or on the laundering of drug money on a world-wide basis. For that reason, it is difficult to analyse the magnitude and characteristics of the world-wide illicit drug markets and to determine the precise influence of illicit drug trafficking transactions on the national economy of different countries;

(b) Notwithstanding the above, the following general trends of the world-wide illicit drug markets can be ascertained through indirect means:

(i) The bulk of the proceeds are realized and profits are distributed at the trafficking and distribution levels. Those directly involved in the illicit cultivation of opium, coca leaves and cannabis do not receive more than 2-4 per cent of the total proceeds;

(ii) At the processing, trafficking and local distribution levels, the market is controlled by organized crime. While the total profit is not realized at these levels, the profits are distributed among fewer people and the financial gains are greater.

II. ECONOMIC AND SOCIAL EFFECTS IN PRODUCER COUNTRIES

A. Observations and comments

27. The money generated by the coca and poppy "economies" has undermined the traditional social values of the rural communities; illicit activities associated with or resulting from the "economies" represent an obstacle to the normal development of democratic institutions. The profitability of the illicit cultivation of the opium poppy and the coca bush remains the major problem in reducing that cultivation.

28. These and subsequent considerations do not apply to cannabis, as the data on cannabis were insufficient and the Expert Group did not have the requisite expertise to deal with the implications of the illicit cultivation of and traffic in cannabis.

29. The cultivation of the coca bush and the opium poppy provides a source of employment and income that creates some degree of economic and social stability for thousands of peasants living in conditions that offer limited alternative employment and income opportunities. If the peasants who are currently growing coca were to suddenly find themselves without this source of income and if an alternative means of earning their living was not provided, they would run the risk of becoming involved in criminal and/or subversive activities.

B. Effects in producer countries

30. The economic gains from illicit cultivation of the coca bush and illicit traffic in cocaine have contributed to rural migration and the depopulation of traditional agricultural areas in the Andean region. Similarly, in several countries of South-East Asia, illicit poppy cultivation and illicit traffic are leading to a concentration of the rural population in areas with limited alternative economic opportunities.

31. Wherever proceeds from illicit drug traffic are large relative to the size of the economy, macrolevel management of the economy becomes more difficult. Increased inflation may be one of the important results (see paragraphs 61-64 of the report). The artificial liquidity flows of the economy, resulting from illicit production, processing and trafficking, stimulate an informal economy that, in turn, stimulates the illicit traffic and tax evasion. These, in turn, have an adverse effect on the economic development of the States involved.

32. In most areas suffering from illicit poppy cultivation, public facilities, such as health and education services and other infrastructure, are poorly developed. The development of regular government services and the execution of development projects encounter major difficulties. To prevent farmers from turning to illicit drug trafficking syndicates for protection, law enforcement measures to reduce illicit production should be accompanied by technical assistance (see paragraph 69 of the report).

33. A considerable portion of the profits earned from illicit cultivation of the opium poppy and the coca bush is used to finance arms smuggling and to bribe officials. Today there is a high rate of criminality in societies where government officials had never before been threatened or assassinated.

34. Illicit cultivation of the opium poppy and the coca bush has ecological consequences that constitute a significant indirect cost of illicit traffic (see paragraph 70 of the report).

C. Conclusions

35. The Expert Group considers economic aspects to be an important and essential element in the formulation of any strategy to be adopted by the international community for the eradication of illicit crops.

36. The important role of international co-operation in terms of financial resources and support for the work involved in controlling the production and consumption of and traffic in illicit drugs should also be taken into account in formulating such a strategy.

37. International co-operation requires a long-term effort by States to lend political and economic support to the international organizations engaged in applying an effective strategy that must involve parallel action by

Governments, specialized technical agencies and beneficiaries pledged to pursuing actively the objectives of comprehensive plans for the eradication of illicit crops.

38. The financing for social projects to provide the complementary infrastructure needed to launch crop substitution programmes might be obtained through specialized organizations receiving donations from consumer countries, in addition to the support provided by States under bilateral arrangements.

39. Illicit crops must be replaced by other commercially profitable crops. In order to be successful such crop replacement programmes should be integrated within agro-industrial projects that, in addition to generating new sources of employment, make the gradual replacement of illicit crops a commercially profitable venture. Such cash crops should be intended for the export market.

40. It is crucial to emphasize that such cash crop production requires a market if it is to be successful in the long run.

III. ILLICIT DEMAND AND CONSUMPTION

41. In order to understand the magnitude and scope of illicit consumption and demand, information should be provided on the following:

(a) Identification of factors that influence or have a causal connection with drug abuse and the demand for illicit drugs;

(b) The characteristics of the drug abuser;

(c) The extent of the problem, with special attention given to the types of drugs abused and the volume of illicit consumption, in terms of both quantity and monetary value.

A. Magnitude and scope of the problem

1. Factors influencing consumption

(a) Observations and comments

42. Although consumption primarily concerns developed countries, it affects almost all countries to some degree. Extremes in per capita annual income (highs or lows) can influence consumption, particularly the type of drug consumed.

43. The Expert Group has noted the tendency for the bulk of illicit consumption to occur in urban areas. It has suggested that a study of the per capita consumption of drugs in rural versus urban areas could be undertaken to shed more light on that issue.

44. One general trend is the gravitation of illicit drug supplies, increased illicit consumption and demand in countries with hard currency or where hard currency is accepted as the normal medium of monetary exchange.

45. The Expert Group has identified several social factors that have caused or contributed to drug abuse. These include the breakdown in traditional social support systems, such as the family, the school, the church and the community; limited controls on leisure time activities, particularly for juveniles; peer group pressure; and the glamorization of drug use and abuse (the use and abuse of drugs by role models such as athletes, entertainers and other prominent public figures), resulting in their being regarded as acceptable behaviour. Other factors that have led to illicit consumption include the availability of drugs of abuse as a by-product of illicit cultivation or production or their availability in transit.

46. The Expert Group considers that further inquiry into these multiple possible causes of drug abuse is necessary with a view to taking action to eliminate the causes of abuse, or at least the most serious of them.

2. Characteristics of consumers

47. Drug abuse affects all segments of society, irrespective of economic condition, educational level, employment status, age, race or gender.

48. The Expert Group recognizes the need for more reliable epidemiological information and stressed the need for studies and research to be undertaken to provide further information on persons and groups involved in the illicit production of, traffic in and consumption of narcotic drugs and psychotropic substances (see recommendation 4 in the report). The focus should be on drug abusers or groups of abusers or persons at risk to drug abuse.

3. Extent of drug abuse (illicit consumption)

49. The magnitude of drug misuse and abuse can be ascertained if adequate statistical data and other information to assess the quantity of illicit drugs consumed and the monetary value of illicit consumption are available. In this regard the Expert Group has taken note of the International Drug Abuse Assessment System (IDAAS), which will fill the gaps in information on illicit consumption. (The estimation of values of opiates, cocaine, cannabis, psychotropic substances and designer drugs have already been mentioned in paragraphs 8-24 of the present annex.)

50. According to seizure data compiled by the Division of Narcotic Drugs since 1975, while there have been shifts in the patterns of global consumption, total consumption of major drugs of abuse continues to increase. The Expert Group recognizes the urgent need for more reliable information concerning the extent of consumption by drug type and consumer, as well as estimations of prices paid at the street level on which to base calculations and projections of future trends. Efforts should be undertaken at the

national and international levels to fill the gaps, particularly with regard to cannabis, cocaine and opiates.

B. Economic costs and social and political ramifications

1. Effects of drug abuse on the workplace and productivity

51. Among the adverse effects of drug abuse on the workplace and on occupational activities is the deterioration of productivity and performance of the labour force, characterized by reduced output, defective products, loss of qualified employees, accidents, absenteeism, loss of income and professional disqualification, all of which are costly to the individual, the employer and the community. Unless comprehensive measures are taken to stem the growth in drug abuse, all States are likely to suffer from its costly and harmful effects on the social fabric of their societies.

2. Law enforcement costs associated with combating illicit demand and consumption

52. Direct and indirect costs are incurred by law enforcement agencies in prevention programmes and countermeasures to disrupt major trafficking networks.

53. Illicit drug trafficking is sophisticated and complex and in many cases involves other antisocial activities, such as organized crime, conspiracy, bribery, corruption and intimidation of public officials, tax evasion, banking law violations, illegal money transfers, criminal violations of import or export regulations, crimes involving firearms and crimes of violence. Because of the far-reaching consequences of the illicit drug trade, the integrity and stability of certain Governments have even been threatened.

54. The increased costs of maintaining and equipping police, customs and other law enforcement authorities, including the use of the military, are direct consequences of drug abuse and misuse and illicit demand, which are at the base of illicit drug trafficking and related criminal activities. Such costs also include the costs of judges, prosecutors, defence attorneys, courts, staff and support services, as well as the costs of imposing criminal sanctions, including incarceration.

55. In addition to the direct costs mentioned above, the Expert Group has noted that there are also costs associated with establishing and maintaining an interdictive and enforcement environment. The Expert Group considers that the direct and indirect costs to the community of law enforcement programmes had to be computed with the economic and social costs of illicit traffic and drug abuse.

3. Investment in health, prevention, treatment and rehabilitation services

56. The provision of prevention, treatment and rehabilitation services to keep persons out of the cycle of drug misuse and abuse constitute major costs to society. At the forefront of programmes to curb illicit demand for drugs is the cost of prevention.

57. The reporting and monitoring of drug abuse, treatment for drug addiction, rehabilitation and social reintegration generates enormous costs to society. Substantial investments are necessary for research and for the development of effective treatment programmes. Finally, a person's vitality and longevity are affected by drug abuse, as a result of the high incidence of diseases and the number of infections transmitted through drug-using habits. Acquired immunodeficiency syndrome (AIDS) is one of the most serious health hazards to drug abusers who share hypodermic syringes and, as a result, drug abusers constitute one of the highest risk groups for AIDS.

58. The Expert Group has noted that empirical data on the direct and indirect costs of drug misuse, abuse and addiction are scarce. It is difficult to make an assessment of the costs involved. The Expert Group stresses the importance of acquiring further information, by, for example, systematically collecting data on subpopulations of drug abusers from different sources, as a requisite step towards dealing with illicit demand.

4. Adverse impact on social and political structures

59. Regular abuse inevitably results in the disruption of the drug abuser's traditional relationships and support systems, such as the family, employment, friends and the community. The productivity, reliability and earning power of the drug abuser is known to diminish drastically. Unable or unwilling to earn money by conventional means, drug abusers often turn to other forms of crime (robbery, theft etc.) to support their habit. The economic and social consequences of illicit traffic and drug abuse are borne by the individuals themselves, the community in which they live and their Governments.

60. The Expert Group recommends the following courses of action for further consideration:

(a) The development of an appropriate methodology for assessing drug abuse, perhaps at the national level (similar to the Bolivian country report), by a representative group of countries with a view to establishing a reliable regional and international data base on drug abuse and its consequences;

(b) The provision of resources to regional non-governmental organizations and groups (Red Cross and Red Crescent) to undertake epidemiological surveys and studies of drug abuse, particularly regarding treatment and rehabilitation.